

# House Ways & Means Committee Releases Tax Reform Legislation

September 20, 2021

On September 13, 2021, the House Ways and Means Committee released **proposed tax reform legislation** (the “Proposal”). Although the Proposal is subject to markup and debate, it largely keeps intact the framework established in the 2017 tax reform legislation (the “TCJA”). The Proposal instead focuses on changing tax rates and altering selected provisions of the Internal Revenue Code (the “Code”).

The Proposal increases tax rates for high-earning individuals and large corporations, limits beneficial treatment of carried interest, introduces new limitations on U.S. interest deductions for multinationals and increases taxes on foreign earnings of U.S. multinationals and investors.

The Proposal effects significant changes in U.S. taxation that will require structures and transactions to be rethought in light of the new rules. The prospect of tax reform seems likely, although the final package may be very different from the current Proposal.

Unless otherwise indicated, all changes are effective for tax years beginning after December 31, 2021.

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## INDIVIDUALS

### Ordinary Income Tax Rate

- The top ordinary individual rate will increase from 37% to **39.6%** and apply to taxable income over **\$400,000** for individuals (**\$450,000** for joint filers).

### Capital Gains Tax Rate

- The top capital gains tax rate will increase from 20% to **25%** (28.8% taking into account the 3.8% net investment income tax (the “NIIT”).

**Comment:** The new 25% rate is **retroactive** and applies to any sale after **September 13, 2021**, unless the sale occurs in 2021 and is pursuant to a written binding contract in effect on September 13, 2021 that has not been modified in any material respect.

### Surcharge on High-Income Individuals, Estates and Trusts

- There will be a new 3% surtax on **modified adjusted gross income** (“MAGI”) over a threshold (**\$5,000,000** for joint filers and most individuals, **\$2,500,000** for married individuals filing separately). This change will in effect increase the top federal tax rates that apply to ordinary income and capital gains.

**Comment:** Use of MAGI may result in a higher base on which the surtax is charged when compared to taxable income because it effectively adds back certain deductions (such as mortgage interest expense and charitable contributions). However, MAGI does take into account deductions for investment interest expense.

### 3.8% Net Investment Income Tax

- The NIIT is expanded to include net income or net gain derived in the ordinary course of a trade or business for taxpayers with taxable income in excess of **\$400,000** for individuals (**\$500,000** for joint filers) regardless of whether the taxpayer materially participates in the trade or business.

**Comment:** In addition to expanding the base subject to the NIIT, removing the material participation exception expands the NIIT to income of certain active S-corporation shareholders, limited partners and LLC members, including for gain on sale of their interests. This change will affect owners of businesses that operate as limited partnerships or S-corporations who take advantage of this exception.

### Limitation on Deduction of Qualified Business Income

- The maximum allowable deduction for qualified business income under Section 199A will be limited to **\$400,000** for individuals (**\$500,000** for joint filers).

### Carried Interest

- The beneficial treatment of carried interest will generally be retained only for income recognized **five years** or more after the later of the date the taxpayer acquired “substantially all” of the applicable partnership interest and the date the partnership acquired “substantially all” of its assets, regardless of the holding period for the particular investment giving rise to the income. Similar rules apply in the context of tiered partnerships.

**Comment:** This is a substantial departure from the current rules, which apply a three-year holding period on an investment-by-investment basis. While it is unclear what “substantially all” means, many private equity funds realize gains prior to five years after the end of the investment period, so this rule would be expected to deny capital gain treatment on a large portion of a typical fund’s income. The tiered partnership rule is unclear but appears to be intended to apply a look-through rule to underlying assets. It is also not clear how the new rules will apply to a private equity sponsor’s value (e.g., sales of management company interests).

- Gain with respect to a partnership interest subject to the new carry rules is expanded to include amounts treated as capital gain or subject to tax at the rate applicable to capital gain.

**Comment:** In a change from current law, qualified dividend income and Code Section 1231 gain would be subject to the new holding period rules as a result of this expansion.

- **All transfers** of applicable partnership interests will be **taxable events**, notwithstanding any non-recognition provision of the Code.

**Comment:** This change may significantly affect reorganizations of general partner interests.

- Broad authority is granted to Treasury to issue regulations to prevent avoidance of the carried interest rules, including through distributions-in-kind and carry waivers.

## Miscellaneous

- SALT.
  - The cap on state and local tax deductions is retained.

**Comment:** House Democrats have indicated a commitment to include “meaningful” relief from the cap.

- Estate and Gift Tax.
  - The estate and gift tax exemption is reduced to the pre-TCJA level (which is now approximately \$6,000,000 for individuals and approximately \$12,000,000 for married couples), but the tax basis **step-up upon death** is **retained**.

- Grantor trusts are required to be included in the grantor's taxable estate when the grantor is the deemed owner and sales between grantor trusts and the grantor are taxable transactions.
- Portfolio Interest Exemption.
  - The "portfolio interest exemption" (which allows for interest to be received by a non-U.S. person without imposition of 30% withholding tax) is limited to shareholders of corporations that own less than 10% of the **vote and value** of the corporation.

**Comment:** The exemption is currently available for shareholders that own less than 10% of the vote of the corporation. This change may affect shareholder-loan structures where certain shareholders hold a disproportionately low amount of voting power relative to their economic stake (e.g., so-called *high vote/low vote* arrangements).

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## RETIREMENT PLANS & EMPLOYEE BENEFITS

### Prohibition Against Private Investments and Affiliated Investments

- Individual retirement accounts ("IRAs") will be prohibited from making an investment in an entity that requires the IRA owner to make representations that he or she (i) has a minimum level of income or assets, (ii) has completed a minimum level of education or (iii) holds a specific license or credential.

**Comment:** This would effectively eliminate the ability to invest an IRA directly in private equity, hedge fund and other private fund investments.

- IRAs will be prohibited from making an investment in a non-publicly traded entity if the IRA owner also owns 10% or more of the entity (based on vote or value) or is an officer or director of the entity. Ownership determinations include constructive ownership and ownership through the IRA itself.

**Comment:** This would restrict an individual's ability to provide start-up funds to his or her own business and would prohibit certain executives from providing "skin in the game" for a private equity-backed company via their IRA.

- Violations of either of these prohibitions will result in disqualification of the IRA, which could trigger ordinary income taxes on the value of the IRA assets and, if the holder is under 59 ½, an additional 10% penalty tax on the amount of the distribution.

While both prohibitions would be effective starting in 2022, there is a grace period for prohibited investments held on the date of enactment of the legislation as long as they are disposed of by December 31, 2023.

### Contribution Limits and Distribution Requirements for High Earners

- Individuals with taxable income of \$400,000 or more (\$425,000 for heads of household and \$450,000 for married individuals filing jointly) will not be able to make a contribution to an IRA if the individual's aggregate vested balance across all qualified defined contribution plans is \$10 million or more as of the end of the prior taxable year. The income thresholds are determined without giving effect to deductions for qualified plan contributions made by the individual.
- If a high earner described above has total qualified defined contribution account balances that exceed \$10 million as of the end of a taxable year, the individual is required to take distributions from those plans equal to 50% of the excess in the next taxable year.
- In addition, if those account balances exceed \$20 million as of the end of a taxable year, the individual must take distributions equal to the lesser of that excess and the total Roth IRA and Roth 401(k) balances. If this second level of distributions applies, the first level distributions described in the preceding bullet are reduced by that amount.
- These required distribution rules apply to all taxpayers regardless of age, and the rules exempt the distributions from the 10% additional tax that is generally payable on distributions made prior to age 59 ½.
- The applicable thresholds are subject to adjustment for inflation starting in 2023.

**Comment:** These provisions cut off additional contributions to IRAs for those who have exceeded the balance threshold and accelerate the rate at which IRAs and other defined contribution plans with large balances must be drawn down (including prior to the normal age of distribution eligibility at 59 1/2). The effect is to force wealthy individuals to invest on a taxable basis rather than a tax-deferred or tax-free basis. Large Roth balances in excess of \$20 million would be reduced to \$20 million no later than the end of 2022 as a result of this new rule.

### Limitations on Roth Contributions and Roth Conversions

- Contributions to Roth IRAs are subject to income limitations that prohibit high earners from accessing a Roth IRA directly. Under current law, however, all taxpayers can convert pre- and post-tax contributions to a traditional IRA into a Roth

IRA. This has long been viewed as a “back-door” to a Roth IRA for those who are otherwise over the applicable income limitation and unable to contribute directly.

- The Proposal shuts this back door by prohibiting Roth conversions (whether from a Roth 401(k) or Roth IRA) for the high earners described above and further prohibits any conversion of post-tax IRA contributions to a Roth IRA.

**Comment:** The Proposal does not contain prohibitions or limitations against Roth contributions in a 401(k) plan, so there is still an avenue for access to a Roth retirement account to the extent this option is made available under an employer-sponsored plan.

### Changes to the Deduction Limitations of Section 162(m)

- Code Section 162(m) limits the ability of a public company to deduct compensation in excess of \$1 million paid to specified executive officers of public companies. The statute has been expanded significantly in recent years, beginning with the TCJA and continuing in the American Rescue Plan Act (the “ARPA”) earlier in 2021. In particular, the ARPA expanded the number of covered individuals to include an additional five highly paid employees of the public company, whether or not those individuals are executive officers, but this change was not effective until 2027.
- The Proposal accelerates this change to tax years of public companies beginning after 2021. The Proposal also includes other gap-filling measures intended to capture compensation paid in a manner that might not currently be captured under the statute, for example by non-corporate affiliates of public companies.

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## CORPORATE

### Corporate Income Tax Rate

- The Proposal raises the top corporate tax rate from 21% to **26.5%**, which represents a 26.2% increase.

**Comment:** When the new federal rate is combined with state and local income tax rates, the United States will once again have **one of the highest corporate income tax rates in the industrialized world**, making United States corporations less competitive in the global economy.

**Comment:** Taxpayers may wish to consider deferring deductions beyond 2021 and accelerating income into 2021. For example, taxpayers may wish to consider electing out of bonus depreciation for 2020 and 2021.

### Limitations on Interest Expense Deductions of International Groups

- The Proposal adds Code Section 163(n), a **new interest deduction limitation** for certain domestic corporations that (i) are members of an “international financial reporting group” (generally, a multinational group that includes both a U.S. entity and non-U.S. entity and that prepares consolidated financial statements) and (ii) have an average net interest expense, determined on a three-year rolling basis taking into account all of the U.S. corporations in the group, in excess of \$12 million.
- For corporations subject to the new provision, deductible net interest is capped at the “allowable percentage” of 110% of such corporation’s net interest expense reported on the group’s financial statements. The allowable percentage is based on the corporation’s share of the total EBITDA of its international financial reporting group.

**Comment:** The essence of the new provision is to **disallow net interest** expense of a domestic corporation **that is considered disproportionately large** relative to the corporation’s contribution to the EBITDA of the international financial reporting group.

- The new limitation does not apply to certain small businesses, S corporations, REITs or RICs, or groups that have negative EBITDA.

**Comment:** While the increase in the U.S. corporate income tax rate would generally incentivize multi-national groups to locate more of their interest expense in their U.S. subsidiaries, Code Section 163(n) will serve as a limit to such planning.

**Comment:** The provision will accelerate the trend of multinational groups using joint U.S. and non-U.S. credit packages. Borrowers will require both U.S. and non-U.S. advice to optimize those structures, including determining those jurisdictions in which they will be able to finance non-U.S. operations via intercompany loans as opposed to those jurisdictions in which direct third-party lending is more desirable.

**Comment:** Regulations under Section 163(j) created a broad definition of interest, which can be expected to apply to new Section 163(n) as well.

### Curtailing Monetization in Spin-offs

- Under current law, a company (“Distributing”) that wishes to spin off a subsidiary (“Spinco”) to its shareholders may (i) cause Spinco to borrow an amount of cash up

to Distributing's tax basis in Spinco, (ii) cause Spinco to transfer the proceeds of such borrowing to Distributing and (iii) transfer the proceeds to Distributing's shareholders or creditors, all without corporate-level tax. Under current law, Distributing can also **monetize its investment in Spinco above such tax basis** by causing Spinco to issue long-term debt securities to Distributing, which Distributing then exchanges for debt held by Distributing's creditors. The effect of the current rules is to **allow Distributing to optimize the allocation of leverage on a tax-free basis by extracting value from Spinco above Distributing's basis in Spinco.**

- The Proposal would eliminate the ability of Distributing (through de-leveraging) to monetize its investment in Spinco beyond its tax basis without incurring corporate-level tax. Importantly, this provision would be **immediately effective** for transactions that take place on or after the date of enactment.

**Comment:** Monetization of Spinco beyond Distributing's tax basis has been an **important feature of spin-off transactions, which has been repeatedly approved by the IRS.** Beyond raising revenue, it is difficult to see a policy reason for the change.

**Comment:** Under the provision, it is still possible to extract value from Spinco in excess of Distributing's tax basis, but the amount above Distributing's tax basis must be transferred to **shareholders** rather than to creditors. Note, however, that cash distributed to shareholders will generally be taxable to them.

**Comment:** The proposed effective date is **disruptive** to transactions that are substantially underway, and spin-off transactions often have long lead times. Previous changes to the spin-off rules have typically grandfathered transactions that are the subject of a binding contract, have been announced publicly, have been the subject of an SEC filing or for which an application for a private letter ruling with the IRS has been submitted.

### Deferral of Losses in Corporate Liquidations

- The Proposal would change the treatment of losses in the case of a taxable liquidation of a corporate subsidiary, where two corporations are members of the same controlled group (as defined in Code Section 267(f) (generally those groups with more than 50% common control)). Under the Proposal, no loss may be recognized on the stock or securities of the liquidating corporation until the corporation receiving property in the liquidation disposes of substantially all of the property received to an unrelated party.



**Comment:** Although liquidations within a consolidated group are usually non-recognition transactions, there is an exception when the liquidating subsidiary is **insolvent**. The liquidation of an insolvent corporation has **historically been used in bankruptcy or restructuring transactions to trigger loss**, which can be used to offset income arising elsewhere in the transaction. If enacted, this provision would limit this planning technique in cases where liquidating corporation's underlying assets are not also being sold.

**Comment:** The Proposal would also curtail a common planning technique used by the corporate parent of a subsidiary, where the parent's basis in the subsidiary stock exceeds the value of that stock. Under the technique, the parent would sell slightly more than 20% of the stock of the subsidiary to a third party and then cause the subsidiary to liquidate. Under the Proposal, the parent could not claim a loss on the liquidation until the parent disposed of substantially all the assets it received in the liquidation.

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## INTERNATIONAL

### Global Intangible Low-Taxed Income ("GILTI")

- The Proposal would **increase the effective tax rate on GILTI** from the current 10.5% rate (increases to 13.125% for taxable years beginning after December 31, 2025) to a 16.5625% rate, taking into account the proposed increased overall corporate rate.
- GILTI is currently calculated on a "worldwide" basis, blending income and losses from all controlled foreign corporations ("CFCs") of which a taxpayer is a U.S. 10% shareholder. The current GILTI reduction for a 10% deemed return on qualified business asset investment ("QBAI") also is determined on a worldwide basis. The Proposal would move to a "**country-by-country**" **GILTI calculation** that separately calculates these components for each of a U.S. shareholder's "tested units" and only aggregates these components from tested units that are tax residents of the same country. "Tested units" of a U.S. shareholder would include: a CFC of the U.S. shareholder, any interest of such a CFC in a pass-through entity located in another country and any branch of such a CFC located in another country.

**Comment:** For example, the Proposal would prohibit losses and the deemed return on QBAI of a CFC's German home office from offsetting income from the CFC's French branch. However, a CFC's German branch would still be aggregated with another CFC's German partnership investment. By preventing "blending" of losses and QBAI, overall GILTI liability will increase.

- Under current law, a U.S. shareholder's GILTI inclusion generally equals the excess of a U.S. shareholder's net CFC tested income over a deemed return on aggregate QBAI. The Proposal retains this basic calculation, but would **reduce the deemed return on QBAI** from 10% per year to 5% per year.

**Comment:** Unlike the recent Biden Infrastructure Plan, the Proposal would still preserve the spirit of GILTI as a tax on “intangible” income by allowing for a deemed return on tangible investment, albeit at a reduced rate.

- The Proposal also improves several aspects of the current GILTI regime that have been the subject of frequent criticism:
  - Net CFC tested losses generated by “tested units” in one country could be carried forward to offset same-country net CFC-tested income in later years, thereby reducing future GILTI.
  - Under current law, a corporate taxpayer's Code Section 250 deduction (which gives GILTI its lower rate) is capped based on total taxable income, which prevents GILTI deductions from being included in NOLs. Under the Proposal, any excess Code Section 250 deduction that cannot be used in one year due to the taxable income cap **would be allowed as an NOL and may be carried forward** to future years to offset any income (not just GILTI).
  - Several changes would increase the ability of taxpayers to use foreign tax credits to offset GILTI, as discussed below.

**Comment:** For some taxpayers, the net effect of the GILTI changes may be favorable despite the increased rates, particularly for taxpayers with GILTI income and U.S. tax losses—which under current law results in GILTI absorbing NOLs at the full 21% tax rate with no future NOL benefit or ability to use foreign tax credits from the GILTI.

### Foreign Tax Credits

- Under the Proposal, the foreign tax credit limitations would be calculated on a **country-by-country basis**, based on “tested units” (generally the same tested units as are used for GILTI but also including the U.S. taxpayer and its branches and pass-through interests).
- The Proposal authorizes Treasury to enact anti-avoidance and clarifying rules, singling out hybrid entities, hybrid transactions, “stateless entities” and entities or branches with multiple tax residences for special attention by Treasury.

**Comment:** The Proposal is intended to prevent taxpayers from blending high-taxed foreign income with low-taxed foreign income to improve foreign tax credit use.

- Foreign taxes paid or deemed paid in excess of the applicable foreign tax credit limitation will no longer be carried back to the previous taxable year under the Proposal and will only be carried forward five years, down from 10 years under current law.

**Comment:** As with the TCJA's elimination of NOL carrybacks, the elimination of carrybacks will compound taxpayer difficulties in a sudden distress scenario (like the COVID-19 pandemic) and reduce value ascribed to the target's tax attributes in M&A transactions because carrybacks are far easier to quantify dependably.

- The Proposal also includes **taxpayer-favorable improvements** of several aspects of the current foreign tax credit rules, particularly those concerning GILTI:
  - Unused GILTI foreign tax credits could be carried forward in the same manner as other foreign tax credits. This eliminates the current "use-it-or-lose-it" rule for GILTI foreign tax credits, which prohibits carryforwards of deemed-paid foreign taxes on GILTI in excess of the limitation.
  - Expenses (such as interest expense) of the corporate U.S. shareholder would no longer be allocated to and reduce GILTI for purposes of calculating the foreign tax credit limitation on GILTI.
  - The "haircut" that prevents a portion of taxes paid by CFCs from producing foreign tax credits against GILTI would be reduced: 95% of tested foreign taxes paid by CFCs would be deemed paid by a corporate U.S. shareholder (up from 80%); the Proposal also permits taxes paid with respect to losses to be included in the calculation.

**Comment:** The GILTI credit changes improve the ability to use foreign tax credits against GILTI, which was notoriously stingy under the TCJA.

- The separate basket for branch income would be eliminated, so active or general category income from a taxpayer's branch in one country could be combined with other active or general category income from another tested unit in that same country in calculating the foreign tax credit limitation.
- Treasury would have regulatory authority to deem a U.S. shareholder of a CFC to have paid foreign income taxes that are paid or accrued by a foreign corporate parent

(based on 80% direct or indirect ownership of the U.S. company) with respect to income from the CFC.

### Base Erosion and Anti-Abuse Tax (“BEAT”)

- The Proposal retains the BEAT minimum tax on U.S. corporations’ taxable income determined without regard to deductions for “base erosion” payments to foreign affiliates.
- The BEAT currently applies to a U.S. corporation if average annual gross receipts (tested on a group basis taking into account U.S. affiliates and U.S. branches of foreign affiliates) are at least \$500M for the prior three years, and base erosion payments to non-U.S. affiliates are at least 3% of total deductions (2% for groups that include a bank or registered securities dealer). The Proposal would eliminate the 3%/2% *de minimis* exception for taxable years beginning in 2024.

**Comment:** Many multinational groups have been able to structure their affairs to satisfy the *de minimis* exception. Under the Proposal, U.S. corporations with sufficient annual gross receipts would be subject to the BEAT even if they make only *de minimis* deductible base erosion payments.

- The BEAT minimum tax currently applies at a 10% rate and is slated to rise to 12.5% in 2026. The Proposal would move up the start date of the 12.5% rate by two years to 2024, and the rate would increase to 15% starting in 2026.
- The Proposal would **eliminate an exception from the BEAT** for payments to foreign affiliates that are capitalized into the inventory of a U.S. corporation as **costs of goods sold**. Such payments would instead generally be treated as base erosion payments, as would payments for purchasing inventory to the extent they exceed the direct costs of the property in the hands of the foreign affiliate and its indirect costs that are paid to unrelated persons or U.S. affiliates.
- Under the Proposal, **payments to foreign affiliates that are subject to U.S. federal income tax would not be treated as base erosion payments.**

**Comment:** According to the Joint Committee on Taxation, this expanded exception would apply to payments included in the computation of GILTI or FDII, subject to withholding or taxable as effectively connected income, a significant expansion from the current exceptions. It would also presumably apply to payments included in the computation of Subpart F income. This exception may be particularly helpful for U.S.-parented multinationals with respect to payments to foreign members of the group, which generally would be taxed as Subpart F income or GILTI (unless they

are subject to a high rate of foreign tax, in which case the high tax exception generally would be available) and which previously may have relied on the 3%/2% *de minimis* exception.

- The Proposal introduces a new exception to the BEAT for payments to foreign affiliates that are subject to an effective foreign income tax rate equal to at least the applicable BEAT rate.

**Comment:** This change, along with the future increase to a 15% BEAT rate, bears some resemblance to the Biden Administration’s “SHIELD” (Stopping Harmful Inversions and Ending Low-tax Developments) proposal and the OECD BEPS Pillar II initiative on a global minimum tax. It remains to be seen how the House’s international tax proposals will ultimately tie into these ongoing international negotiations. As with Pillar II, guidance will be needed to determine when a payment is sufficiently taxed, particularly with respect to timing differences between tax and accounting income.

### The Downward Attribution Saga Continues

- The TCJA made a change to the CFC tax attribution rules that vastly expanded the number of foreign companies that are classified as CFCs. As the name *controlled foreign corporation* suggests, the CFC rules generally are aimed at foreign corporations that are more than **50% controlled** by one or more U.S. 10% shareholders. Tax attribution rules apply in determining whether these ownership thresholds are met. U.S. 10% shareholders of a CFC pay tax on a current basis on their share of the CFC’s passive income and GILTI.
- As a result of the TCJA’s change to the downward attribution rules, a foreign corporation can be treated as a CFC even if it is part of a foreign-parented group that has modest U.S. ownership (or none at all) if a U.S. corporation is a member of the group (or if the group owns any interest in a U.S. partnership). In this situation, the foreign corporation’s shares are attributed from the foreign parent *downward* to the U.S. subsidiary or partnership, and the foreign corporation is therefore treated as controlled by the U.S. subsidiary or partnership.

**Comment:** The TCJA rules were designed to shut down decontrolling strategies used by inverted U.S. groups with respect to the inverted U.S. companies’ foreign subsidiaries. Under these strategies, following an inversion of a U.S. company, the new foreign parent company would make a greater than 50% investment in the inverted U.S. company’s foreign subsidiaries, thereby taking the foreign subsidiaries outside the scope of the CFC rules. As a result of the TCJA’s changes, these foreign

subsidiaries continue to be CFCs, and the inverted U.S. company is taxed on its share of the foreign subsidiaries' GILTI and Subpart F income.

- The effect of the repeal of the downward attribution rules was much broader than the abuse at which the repeal was aimed. For example, if a foreign corporation is owned 10.1% by a U.S. shareholder and 89.9% by a foreign shareholder with a small U.S. subsidiary, the foreign corporation would (through downward attribution from the foreign shareholder to its small U.S. subsidiary) be treated as a CFC, and the U.S. 10.1% shareholder would be taxed annually on its share of the CFC's earnings. Among other things, the TCJA's changes had the effect of turning most private equity funds' foreign portfolio companies into CFCs.
- The Proposal **retroactively turns back the clock on the TCJA, reinstating the downward attribution rules as they stood before the change.** In their place, the Proposal would implement a new set of CFC rules aimed specifically at "foreign controlled foreign corporations" and ownership structures similar to the post-inversion decontrolled CFC structure describe above.

**Comment:** While the repeal of the TCJA change to the downward attribution rules is a refreshing change, the retroactive nature of change would entail a vast amount of reviewing and amending of tax returns for structures that were affected by those changes. Furthermore, some taxpayers made affirmative use of the downward attribution rules to improve their tax situation, particularly in M&A transactions. The Proposal would retroactively pull the rug out from underneath taxpayers that relied on the stability of U.S. tax legislation.

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Please do not hesitate to contact us with any questions.

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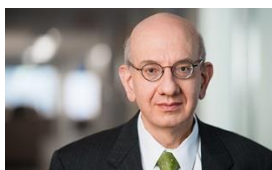
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